

91 1060

FILED

DEC 30 1991

OFFICE OF THE CLERK

No. _____

In The
Supreme Court of the United States
October, Term 1991

ROBERT DARLING, d/b/a DARLING ENTERPRISES
Petitioner,

vs.

STANDARD ALASKA PRODUCTION COMPANY,
EXXON CORPORATION,
UNION OIL COMPANY OF CALIFORNIA,
AMOCO PRODUCTION COMPANY,
COOK INLET REGION, INC.,
NANA REGIONAL CORPORATION, INC.
DOYON LIMITED
AND
ARCO ALASKA, INC.

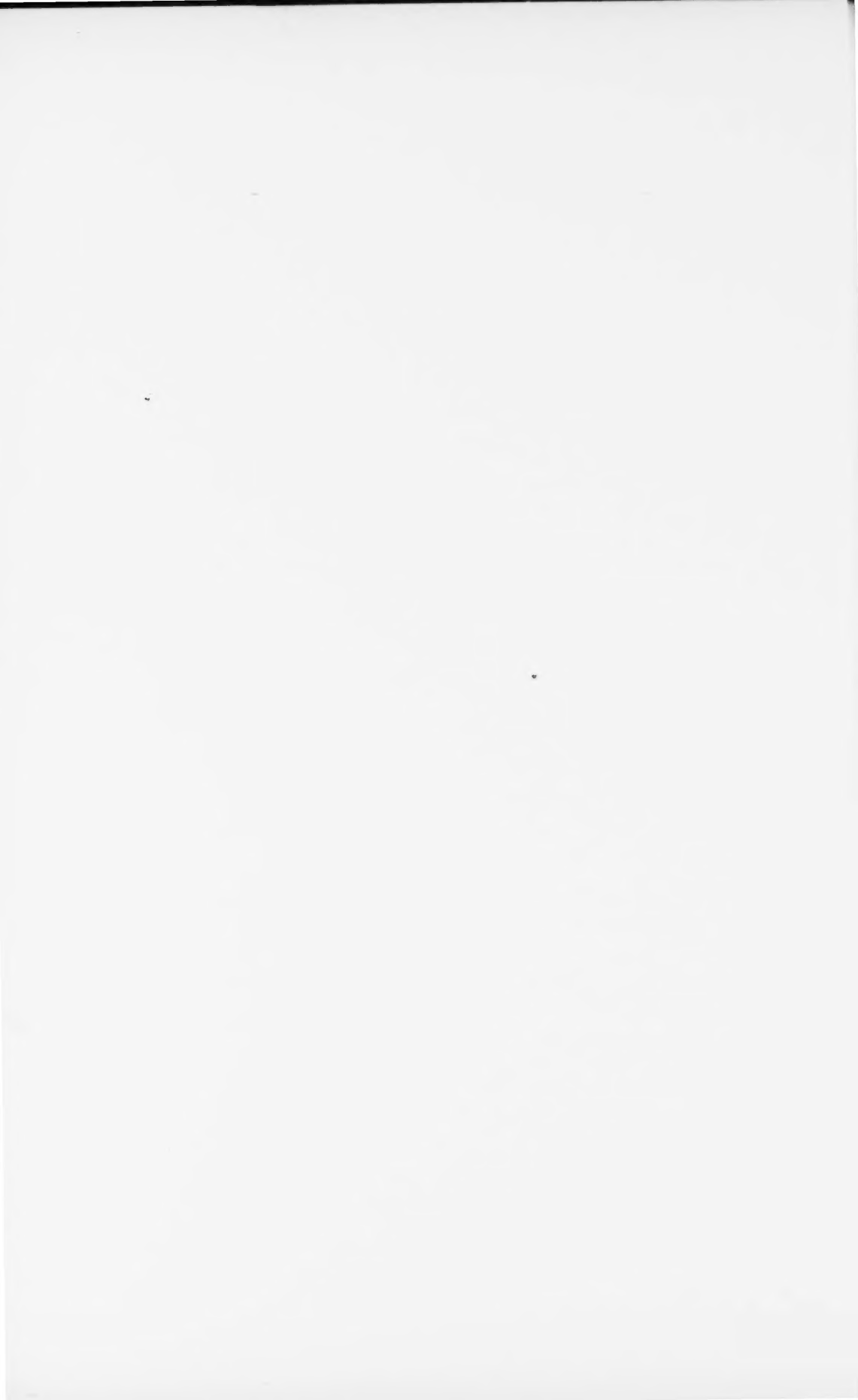
Respondents

**PETITION FOR A WRIT OF CERTIORARI TO THE
SUPREME COURT FOR THE STATE OF ALASKA**

MARK A. SANDBERG
SANDBERG & SMITH
310 "K" St., Suite 500
Anchorage, Alaska 99501
(907) 276-6363

December 1991

Counsel for Petitioner



QUESTION PRESENTED

1. Does federal patent law preempt the state law unjust enrichment claim of an inventor against parties which, in their business dealings, have treated him unfairly?

LIST OF PARTIES

The parties to the proceedings below were the petitioner, Robert Darling, an individual d/b/a Darling Enterprises, and the respondents, Standard Alaska Production Company, Exxon Corporation, Union Oil Company of California, Amoco Production Company, Cook Inlet Region, Inc., Nana Regional Corporation, Inc., Doyon Limited and Arco Alaska, Inc.

TABLE OF CONTENTS

| | Page |
|-------------------------------------|------|
| QUESTION PRESENTED | i |
| LIST OF PARTIES | ii |
| TABLE OF AUTHORITIES | iv |
| OPINIONS BELOW | 2 |
| JURISDICTION | 2 |
| STATUTES INVOLVED | 2 |
| STATEMENT OF THE CASE | 3 |
| REASONS FOR GRANTING THE WRIT | 4 |
| CONCLUSION | 7 |

TABLE OF AUTHORITIES

| Cases: | Page |
|--------------------------------------------------------------------------------------------------|------|
| <i>Aronson vs. Quick Point Pencil Co.</i> , 440 U.S. 257 (1979) | 5 |
| <i>Bonito Boats, Inc. vs. Thunder Craft Boats, Inc.</i> 489 U.S. 141 (1989) | 6 |
| <i>Compco Corp. vs. Daybrite Lighting, Inc.</i> , 376 U.S. 234 (1964) | 5 |
| <i>Darling vs. Standard Alaska Production Co.</i> , No. 3765 (Alaska, October 17, 1991) | 2 |
| <i>Kewanee Oil Co. vs. Bicron Corporation</i> , 416 U.S. 470 (1974) | 5 |
| <i>Sears, Roebuck & Co. vs. Stiffel Co.</i> , 376 U.S. 225 (1964) | 5 |
| Constitutional Provisions: | |
| Article I, Section 8, Constitution of the United States | 2 |
| Statutes: | |
| 28 U.S.C. §1257 (a) | 2 |
| 35 U.S.C. §101 | 2 |

**In The
Supreme Court of the United States**

October, Term 1991

ROBERT DARLING, d/b/a DARLING ENTERPRISES
Petitioner,

vs.

**STANDARD ALASKA PRODUCTION COMPANY,
EXXON CORPORATION,
UNION OIL COMPANY OF CALIFORNIA,
AMOCO PRODUCTION COMPANY,
COOK INLET REGION, INC.,
NANA REGIONAL CORPORATION, INC.
DOYON LIMITED
AND
ARCO ALASKA, INC.**
Respondents

**PETITION FOR A WRIT OF CERTIORARI TO THE
SUPREME COURT FOR THE STATE OF ALASKA**

The petitioner Robert Darling, d/b/a Darling Enterprises respectfully prays that a writ of certiorari issue to review the judgment and opinion of the Supreme Court for the State of Alaska, entered on October 17, 1991.

OPINIONS BELOW

The opinion of the Alaska Supreme Court is reported as *Darling vs. Standard Alaska Production Co.*, No. 3765 (Alaska, October 17, 1991). The opinion of the Alaska Supreme Court is not yet published in the official reporter. A copy of that opinion is reprinted in the Appendix.

The opinion of the Superior Court is not published. A copy is reprinted in the Appendix.

JURISDICTION

Darling filed this lawsuit in the Superior Court for the State of Alaska at Fairbanks on January 22, 1988. (R.1). His complaint sought compensatory and punitive damages based upon a state law unjust enrichment theory. (R.8).

The trial court dismissed Darling's unjust enrichment claim on the ground that federal patent law precluded a suit for unjust enrichment based upon an unpatented invention. (R. 1787-8). On October 17, 1991, the Alaska Supreme Court affirmed. No rehearing was requested.

The jurisdiction of this Court to review the judgment of the Alaska Supreme Court on the issue of federal preemption is invoked under 28 USC §1257 (a).

STATUTES INVOLVED

Article I, Section 8 of the United States Constitution provides that Congress shall have the power to issue patents. The statutory scheme governing the issuance and enjoyment of patent rights is contained in Title 35 of the United States Code.

The general scope of Title 35 is set out at 35 USC §101, which states:

"Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title."

The opinion of the Alaska Supreme Court does not turn upon the construction or application of any particular statute within Title 35. Rather, the Alaska Supreme Court believed that the existence of a federal statutory scheme left no room for the state law of unjust enrichment.

STATEMENT OF THE CASE

The respondents (owner companies) are the owners of the Endicott Island oil production facility. While there have been other temporary exploration islands, Endicott Island is the first permanent production island ever constructed in the Arctic Ocean. This 45 acre artificial island is located in the Beaufort Sea, approximately 15 miles from Prudhoe Bay.

The island and connecting causeway were constructed of nearly seven million cubic yards of gravel. In order to survive for its design life of 20 to 25 years in an Arctic environment, the island must be protected from erosion caused by waves and polar ice.

At the instigation of the owners and/or their agents, Darling designed a unique linked concrete mat shore protection system known as Linkrete.¹ Darling disclosed the details of Linkrete to the owner companies for their consideration as a potential shore protection system and with the expectation that he would receive compensation were his system ever to be used.

The owner companies tested and evaluated Linkrete as a candidate slope protection system. Then they decided to use Linkrete. They also decided Darling had no enforceable rights. Today, Endicott Island is protected by Linkrete but Darling was paid nothing.

Darling sued. (R.1). His complaint sounds in unjust enrichment. He believes that the owners have saved millions of dollars by using his design work without authorization or compensation.

¹References to Darling's activity and the owners' use of Linkrete are from the complaint. (R.1). These allegations were deemed admitted for purposes of analyzing the federal preemption argument. (Slip. Op. at 3a).

Darling does not have a federal patent for Linkrete. His lawsuit does not allege any breach of federal patent rights. Neither does he allege any tort or breach of contract. Rather, his claim rests entirely upon the state law of unjust enrichment. (R.8). The owners conceded that Darling stated a claim under state law. (R.94).

The owner companies moved for summary judgment based on federal preemption. (R.162). For purposes of the proceedings below, the owner companies admit that Darling invented Linkrete, that the owners used Darling's Linkrete design in constructing Endicott Island and that Darling was never compensated. (Slip. Op. at 3a). The owners also admit receipt of a benefit from Darling and conscious appreciation of that benefit. (Slip. Op. at 6a). Nonetheless, the owners believe that they are immune from suit.

Darling concedes that he possesses no patent-like rights in Linkrete which he may enforce against the world at large. However, Darling and the owner companies were not strangers. Darling contends that his state law unjust enrichment claim, based upon a course of business dealings with the owner companies, was not preempted by federal patent law.

The trial court granted summary judgment against Darling on the ground that federal patent law precluded a suit for unjust enrichment based upon an unpatented invention. (R. 1787-8). Darling appealed. The Alaska Supreme Court affirmed, ruling that Darling's claim was preempted by federal patent law.²

REASONS FOR GRANTING THE WRIT

This case presents an important issue. Unjust enrichment, or quasi contract, is a body of law involving judicially imposed obligations to act fairly in a commercial setting. In the final analysis, the question posed by this case is whether federal patent law preempts standards of business ethics or morality.

²The decision of the Alaska Supreme Court is squarely based upon the federal question. Although the trial court addressed other state law issues (Slip. Op. at 4a, n.4), the Alaska Supreme Court did not (Slip. Op. at 2a, 12a, n. 14). Having determined that there was no room for the operation of Alaska law, the Alaska Supreme Court declined to become involved in its interpretation.

The precise question raised in this petition has never been addressed by this Court. However, the broad sweep of federal preemption found by the Alaska Supreme Court is in conflict with a number of this Court's prior decisions.

Federal preemption in this area reached its zenith in a pair of 1964 cases upon which the owner companies rely very heavily. *Sears, Roebuck & Co. vs. Stiffel Co.*, 376 U.S. 225 (1964) and *Compco Corp. vs. Daybrite Lighting, Inc.*, 376 U.S. 234 (1964).

When those two cases came out, because they spoke in broad preemptive terms, they were widely seen to revolutionize state and federal relations in the regulation of economic activity. Their sweeping language seemed to suggest that states were powerless to impose penalties for violation of trade secrets, for breach of contract or even for conversion. However, those two cases were not the last word from this Court on the subject.

In 1974, this Court decided *Kewanee Oil Co. vs. Bicron Corporation*, 416 U.S. 470 (1974). In that case, the defendants ignored an agreement not to disclose confidential information or trade secrets. When sued, they claimed that Ohio's law of trade secrets was preempted by *Sears* and *Compco*.

This Court disagreed. The Court observed that (as in this case) the state had a legitimate interest in the maintenance of commercial ethics. Discussing the necessity of good faith and honesty in commercial dealings, the Court allowed Ohio to apply its tort law without federal preemption.

That case was followed by *Aronson vs. Quick Point Pencil Co.*, 440 U.S. 257 (1979) dealing with whether state contract law was preempted. Mrs. Aronson was the inventor of a simple but unique key holder. She negotiated a royalty contract with Quick Point, which then began manufacturing the key holders. She also put in a patent application which was rejected. This meant that manufacturers other than Quick Point were free to copy the Aronson design.

Quick Point filed for declaratory relief. It argued that, under *Sears* and *Compco*, the contract licensing the unpatented key holder was unenforceable. This Court disagreed, observing that commercial arrangements traditionally are the domain of state law. State law is not displaced merely because the contract relates to

intellectual property which may or may not be patentable. Rather, the states were left free to regulate the use of intellectual property in any manner not inconsistent with federal law. State contract law was not preempted.

Finally, this Court returned to the issue of federal preemption in *Bonito Boats, Inc. vs. Thunder Craft Boats, Inc.*, 489 U.S. 141 (1989). That case concerned a Florida statute prohibiting the use of direct molding to duplicate boat hulls or the knowing sale of hulls so duplicated.

This Court found that the statute was preempted. However, it rejected any expansive reading of *Sears - Compco* and instead focused upon whether application of state law excessively encroached upon federal powers.

The central issue, as identified by this Court, was that states may not offer patent-like protection to intellectual creations which would otherwise remain unprotected as a matter of federal law. This is where the Florida statute failed. It endowed the original boat hull manufacturer with rights against the world, similar in scope and operation to the rights accorded a federal patentee.

Darling has never claimed any patent-like rights which are good against all the world. He recognizes that he possesses no rights against persons who are strangers to him. His claim is that the petitioners have taken unfair advantage in their own dealings with him.

The cases upon which the owners relied below (*Sears / Compco / Bonito*) each involved claims between strangers. The defendants in those cases were duplicating unpatented items which they obtained from the public domain. Each case concerned an effort to grant patent-like protection which was good against all the world.

The cases upon which Darling relied (*Kewanee* and *Aronson*) involved state law protection for dealings between parties. In neither instance did this Court find state law protection to be preempted. To that extent, the decision of the Alaska Supreme Court is in conflict with the reasoning which underlies those previous decisions of this Court.

CONCLUSION

The sweeping federal preemption found by the Alaska Supreme Court is contrary to prior decisions of this Court. It represents poor public policy. It is not compelled by either statutory or decisional law.

Federal patent law does not preempt all standards of business ethics in dealings between parties. The States should not be prohibited from enforcing their own judicially imposed obligations to deal fairly in a commercial setting. Only this Court can determine the interplay between the intention of Congress and the legitimate interests of the States in this area.

Darling respectfully requests that the petition for certiorari be granted.

APPENDIX A

NOTICE: This opinion is subject to formal correction before publication in the Pacific Reporter. Readers are requested to bring typographical or other formal errors to the attention of the Clerk of the Appellate Courts, 303 K Street, Anchorage, Alaska 99501, in order that corrections may be made prior to permanent publication.

THE SUPREME COURT OF THE STATE OF ALASKA

| | | |
|--------------------------------|---|--------------------------|
| Robert Darling, d/b/a/ |) | |
| Darling Enterprises, |) | |
| |) | Supreme Court No. S-3777 |
| Appellant, |) | |
| |) | |
| v. |) | Superior Court No. |
| |) | 4FA-88-110 Civil |
| Standard Alaska Production |) | |
| Company, Exxon Corporation, |) | |
| Union Oil Company of |) | <u>O P I N I O N</u> |
| California, Amoco Production |) | |
| Company, Cook Inlet Region, |) | |
| Inc., Nana Regional |) | |
| Corporation, Inc., Doyon |) | |
| Limited and ARCO Alaska, Inc.) |) | [No. 3765 — |
| |) | October 17, 1991] |
| Appellees. |) | |
| |) | |

Appeal from the Superior Court of the State of Alaska, Fourth Judicial District, Fairbanks, Jay Hodges, Judge.

Appearances: Mark A. Sandberg and Henry J. Camarot, Sandberg & Smith, Anchorage for Appellant. John M. Conway and Craig F. Stowers, Atkinson, Conway & Gagnon, Anchorage, for Appellees.

Before: Rabinowitz, Chief Justice, Matthews, Compton, and Moore, Justices. [Burke, Justice, not participating.]

RABINOWITZ, Chief Justice.

Robert Darling filed suit against the owners and operators of the Endicott Island production facility, claiming they had appropriated cinder blocks of his design in protecting against shore erosion. The superior court held that Darling's claim was preempted by federal patent law, and granted summary judgment against Darling. We affirm.

I

Endicott Island is a forty-five acre artificial island, located in the Beaufort Sea, approximately fifteen miles from Prudhoe Bay. It was constructed for oil exploration and production. Construction of the island was completed in 1987.

The island and connecting causeway consist of nearly seven million cubic yards of gravel. The island is protected from erosion, waves, and polar ice by a shore protection system consisting of a mat of interconnected concrete blocks.

Robert Darling, a Fairbanks entrepreneur, designed and sold a system of linked concrete blocks, called Linkrete, for use in shore protection in arctic conditions. Darling believed that the owners of Endicott appropriated the Linkrete design from him without authorization or compensation. Darling filed suit for unjust enrichment against Standard Alaska Production Company, the operator and owner of the largest share of the project, and the other owners of Endicott ("Standard").

Darling first designed Linkrete in 1980. He asserts that he was contacted by Exxon and Sohio Alaska Petroleum Company ("Sohio"), Standard's predecessor, and in 1980 sold each of them samples of Linkrete for test purposes. Later, thinking that Exxon would be the operator of the Endicott project, Darling presented a seminar on Linkrete for Exxon's engineering firm.

When it became clear that Sohio would be the operator of the Endicott project, Darling communicated with the engineering firms of Ralph M. Parsons Company ("Parsons"), and Tekmarine, Inc. ("Tekmarine") and supplied them with information about Linkrete.¹ From August 21, 1984 to March 26, 1986,

¹ Darling alleges that Parsons and Tekmarine were agents of Standard; Standard asserts that they were independent contractors. The decision of the superior court did not turn on this determination.

Darling's patent application was under consideration, and Darling notified Sohio that he had a patent pending on Linkrete. In 1984, when Sohio put the shore protection system up for bid, Darling informed Sohio that the system it had specified in its bid might infringe on his pending patent.² The parties seem to have assumed that Darling had rights to Linkrete, but apparently the subject never was discussed directly.³

Standard never contracted with Darling for any aspect of the work on Endicott Island, or for any services related to Linkrete. The Endicott shore protection system was manufactured and installed by Tekmarine and Parson; Standard paid \$520,353 for it.

Darling filed suit in superior court on January 22, 1988. Darling did not allege any tort or breach of contract. Rather, he sought both compensatory and punitive damages based on an unjust enrichment claim.

Standard moved for summary judgment and to strike Darling's demand for a jury trial. For the purposes of summary judgment, and thus, for the purpose of this appeal, Standard admits that Darling invented Linkrete, that Standard used Darling's Linkrete design in constructing Endicott Island and that Standard never compensated Darling.

After a hearing, the superior court granted summary judgment to Standard dismissing Darling's unjust enrichment claim

² In March 1986, the federal patent office denied Darling's application, concluding that the purported design was obvious in light of existing technology.

³ For example, in a letter dated May 14, 1984, Darling wrote to Tekmarine stating that Linkrete would be marketed under a trade name, and that a patent was pending. The record also contains project notes prepared by Parsons summarizing a meeting with Darling on June 14, 1984. The meeting was attended by representatives of Parsons, Tekmarine, and Sohio. The project notes state that Linkrete was patented. Additionally, the record contains a letter of October 5, 1984 from Darling's patent attorney to Sohio, noting that the Invitation to Bid for shore protection for Endicott Island "indicates a preference for the shore protection system which comes within the scope of [the applied for patent]."

on the ground that federal patent law precluded a suit for unjust enrichment based on an unpatented invention.⁴ The superior court also granted partial summary judgment to Standard on Darling's claim for punitive damages, and granted Standard's motion to strike Darling's demand for a jury trial.

Darling appeals the superior court's grant of summary judgment as to his unjust enrichment claim, the grant of partial summary judgment as to punitive damages, and the denial of his demand for a jury trial.⁵

⁴ In its decision, the superior court stated:

It is undisputed that Plaintiff possessed no patent on his claimed invention of the shore protection system design. It is clear from the allegations contained in Plaintiff's Complaint and his other pleadings, and it is also clear from the evidence submitted, that Plaintiff's claimed shore protection system design was publicly known and publicly disclosed, and was so obvious that persons skilled in the shore protection art readily could have developed the Plaintiff's design. Under authority of Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141, 109 S. Ct. 971, 103 L. Ed. 2d 118 (1989); Sears Roebuck & Co. v. Stiffel Co., 376 U.S. 225, 84 S. Ct. 784, 11 L. Ed. 2d 661 (1964); and Compco Corp. v. Day-Brite Lighting, Inc. 376 U.S. 234, 84 S. Ct. 779, 11 L. Ed. 2d 669 (1964), the court concludes that Plaintiff's claimed shore protection system design was in the public domain, and that Defendants were legally entitled to freely copy and use that shore protection system design. Because Defendants received nothing more than that which they were legally entitled to use, Defendants were not unjustly enriched.

The Court further concludes that Plaintiff's unjust enrichment claim is preempted under federal patent law and federal preclusion principles as applied to the States by the Supremacy Clause of the United States Constitution. Therefore, Defendant's Motion to Dismiss Unjust Enrichment Claim is Granted.

The court also awarded summary judgment on the alternative theory: "since the full value or value was paid, unjust enrichment cannot be obtained against the Defendants in this case."

⁵ The superior court filed findings of fact upon which it based its grants of summary judgment and partial summary judgment. However, these findings are not subject to deferential review. Moore v. State, 553 P.2d 8, 15 n.3 (Alaska 1976). Rather, "the standard of review for summary judgment is to determine whether the moving party is entitled to judgment on the law applicable to the established facts." Reed v. Municipality of Anchorage, 741 P.2d 1181, 1184 (Alaska 1987). Our review

II

Darling bases his unjust enrichment claim on “quasi-contract” or “contract-implied-in-law” theories. Unjust enrichment does not depend on any actual contract, or any “agreement between the parties, objective or subjective.” Alaska Sales and Serv., Inc. v. Millet, 735 P.2d 743, 746 (Alaska 1987). In Alaska Sales, we noted that “unjust enrichment is not in and of itself a theory of recovery. Rather, it is a prerequisite for the enforcement of restitution; that is, if there is no unjust enrichment, there is no basis for restitution.” Id. Alaska Sales identified three elements of a claim sounding in quasi-contract for unjust enrichment:

- 1) a benefit conferred upon the defendant by the plaintiff;
- 2) appreciation by the defendant of such benefit; and
- 3) acceptance and retention by the defendant of such benefit under such circumstances that it would be inequitable for him to retain it without paying the value thereof.

is *de novo*, and we will “adopt the rule of law that is most persuasive in light of precedent, reason and policy.” Langdon v. Champion, 745 P.2d 1371, 1372 n.2. (Alaska 1987) (citations omitted).

If the grant of summary judgment depends on a finding of fact, we examine the record on appeal, and, viewing the facts in the light most favorable to the non-moving party, determine whether a material issue of fact exists regarding any of the predicate facts supporting the grant of summary judgment, and whether the moving party is entitled to judgment as a matter of law. Zeman v. Lufthansa German Airlines, 699 P.2d 1274 (Alaska 1985).

Id. For purposes of this appeal, Standard does not dispute that it received a benefit from Darling and that it appreciated that benefit. Therefore, we must address whether considerations of equity will permit Standard to retain the benefit without compensating Darling.⁶

Federal patent law grants inventors limited protection from exploitation of their inventions by others. "The applicant whose invention satisfies the requirements of novelty, nonobviousness, and utility . . . is granted 'the right to exclude others from making, using, or selling the invention throughout the United States' for a period of 17 years." Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141, 150 (1989) (quoting 35 U.S.C. § 154). Federal patent law recognizes two conflicting objectives. "The tension between the desire to freely exploit the full potential of our inventive resources and the need to create an incentive to deploy those resources is constant." Id. at 152. The United States Supreme Court, however, has held that "free exploitation of ideas will be the rule, to which the protection of a federal patent is the exception." Id. at 151. Whatever unfairness inheres in allowing the free exploitation of ideas must give way to the greater societal benefit of achieving the full potential of our inventive resources, unless the federal government has granted the protection of a patent.

⁶ Not all benefits conferred without compensation constitute unjust enrichment. For example, when benefits are "given gratuitously" and "without expectation of payment," courts will allow the recipient to retain the benefit without compensating the provider. Sparks v. Gustafson, 750 P.2d 338, 342 (Alaska 1988) (citing Murdock-Bryant Constr. v. Pearson, 703 P.2d 1197, 1203 (Ariz. 1985)). In Sparks, however, we upheld a finding of unjust enrichment because the evidence showed no gratuitous intent on the part of the plaintiff. There, the plaintiff had provided various business services, which were not of the type "one would ordinarily expect to receive from a friend as a mere gratuity." Id. at 343.

Here, Darling alleged in his complaint that "[a]ll of the disclosures made by Mr. Darling to the defendants or their representatives were made with the expectation . . . that Mr. Darling would receive monetary compensation were his system used." Darling did not act out of friendship; there is no dispute that the relationship between Darling and Standard was a business relationship. The mere existence of a business relationship, however, does not establish the element of injustice. "[C]ompensation [is not] mandated where the services were rendered simply in order to gain a business advantage." Bloomgarden v. Coyer, 479 F.2d 201, 211 (D.C. Cir. 1973) (footnote omitted).

Under the supremacy clause of the United States Constitution,⁷ federal patent law preempts state awards of patent-like protection. “[S]tate regulation of intellectual property must yield to the extent that it clashes with the balance struck by Congress in our patent laws.” *Id.* at 152. Thus, in Bonito, the United States Supreme Court struck down a Florida law which prevented manufacturers from copying an unpatented boat design. See also Sears, Roebuck & Co. v. Stiffel Co., 376 U.S. 225 (1964) (state may not award damages based on unfair competition laws where Sears had merely copied the design of a lamp which was in the public domain and did not have the protection of a valid patent); Compco Corp. v. Day-Brite Lighting, Inc., 376 U.S. 234 (1964) (states may not prevent or impose liability for copying or selling copies of unpatented items). Significantly, in Sears, the designer of the lamp originally had been issued patents, but the patents were later held invalid due to the obviousness of the design. The Supreme Court recognized that denial of a patent had the same effect as expiration of a patent and placed the product in the public domain, allowing free exploitation. 376 U.S. at 231.

However, not all forms of state protection are preempted by federal patent law. Bonito noted that Sears did not “prohibit the States from regulating the deceptive simulation of trade dress or the tortious appropriation of private information.” 489 U.S. at 154. Kewanee Oil v. Bicron Corp., 416 U.S. 470 (1974), held that state protection of trade secrets did not conflict with federal patent law. Kewanee further noted that trade secret laws protect rights, such as privacy, which are beyond the economic sphere and provide less monopolistic protection than patent law.

⁷ Article VI, clause 2 of the United States Constitution provides:

This Constitution, and the laws of the United States which shall be made in pursuance thereof; and all treaties made, or which shall be made, under the authority of the United States, shall be the supreme law of the land . . .

Id. at 487. Moreover, patent law is not intended to protect “industrial espionage.”⁸

Federal patent law does not necessarily prohibit states from enforcing valid contracts under state contract law when such contracts provide protection for unpatented products. Bonito, 489 U.S. at 156; Aronson v. Quick Point Pencil Co., 440 U.S. 257 (1979). In Aronson, Aronson had invented a unique keyholder and applied for a patent. Before the design was placed in the public domain, Aronson negotiated a royalty contract with Quick Point, which then began manufacturing the keyholders. After her patent application had been denied, and other manufacturers were free to copy the keyholder, Quick Point sued for a declaratory judgment that federal law preempted the enforceability of the contract. The Supreme Court held that parties may contract to pay royalties for an unpatented product which is not in the public domain, and that state courts may award damages for breach of such a contract.

Here, Standard asserts that Sears allows Standard to exploit Linkrete because Linkrete is in the public domain.⁹ Darling distinguishes Sears and Bonito by arguing that his claim against Standard does not conflict with the policies underlying federal patent law.¹⁰ Darling does not deny that anyone other than Standard could copy and use Linkrete with impunity. Nevertheless, Darling asserts that he is entitled to recover against Standard on the basis that they had a relationship and Standard used that relationship to unfairly exploit him.

Darling argues that Aronson is particularly supportive of his position because a cause of action in quasi-contract, like a cause

⁸ Kewanee additionally noted that state trade secret protection still allowed the public to exploit unpatented products in the public domain through reverse engineering or independent creation. Id. at 490.

⁹ The superior court found, and Darling does not dispute, that Linkrete was in the public domain.

¹⁰ Darling expressly disavows any recovery for the value of his services under a quantum meruit theory. He states in his brief, “Darling’s claim does not sound in quantum meruit” (emphasis in original). Therefore, Darling’s claim must stand upon his rights in intellectual property.

of action in contract, only accrues when the parties have a relationship. Thus, Darling concludes, "[a]fter Aronson, it is clear that Darling and the owner companies could have validly contracted for the use of Linkrete. There is no reason that a claim in quasi contract should be treated differently."¹¹

In urging that his claim against Standard is not contrary to the policies underlying federal patent law, Darling correctly notes that both Kewanee and Aronson allowed state law protection of intellectual property because the protection in those instances "was not offensive to federal patent policies." Aronson, 440 U.S. at 266. However, Darling fails to identify how enforcement of his claim would not offend federal patent policies. Federal policy both encourages disclosure of ideas and innovation and demands "substantially free trade in publicly known, unpatented [products]." Bonito, 489 U.S. at 156; see also Sears, 376 U.S. at

¹¹ Whether Darling could in fact enforce a licensing agreement for the use of Linkrete is doubtful, given that Linkrete was in the public domain, and that Darling was relying on his patent application to protect his rights. See Aronson, 440 U.S. at 263. Importantly, Darling had no contract; Aronson clearly rests on freedom of contract principles. Id. at 262-63.

Moreover, Aronson does not support Darling's argument that the policies underlying federal patent law only apply against the world, and not to individual agreements. Aronson explicitly avoids overruling two previous cases, which disallowed enforcement of valid contracts that interfered with federal policy. See Aronson, 440 U.S. at 264-65, citing Lear, Inc. v. Adkins, 395 U.S. 653 (1969) (if patent underlying royalty agreement is declared invalid, manufacturer need not pay royalties from time that it challenges validity of patent, even though required to do so by contract); Brulotte v. Thys Co., 379 U.S. 29 (1964) (contractual obligation to pay royalties based on a patent may not be enforced beyond the life of the patent), reh'g denied, 379 U.S. 985 (1964). Both these cases refute Darling's contention that federal policy only operates to prevent state law enforcement of "rights against the world." Both cases also establish that the equities do not require enforcement of an inventor's contractual rights where those rights conflict with federal patent policy. See, e.g., Lear, 395 U.S. at 670 ("the equities of the licensor do not weigh very heavily when they are balanced against the important public interest in permitting full and free competition in the use of ideas which are in reality a part of the public domain.") In Lear, the equities in favor of enforcement were stronger than in the instant case, given the contract; yet, here, Darling must show inequity as a matter of law.

By reaffirming Lear and Brulotte, Aronson emphasizes the importance of a valid patent to protect rights in intellectual property. In Aronson, the contract survived because "the parties resolved the uncertainties by their bargain." 440 U.S. at 264. Darling, on the other hand, never resolved the uncertainties in his relationship with Standard.

231; Lear, Inc. v. Adkins, 395 U.S. 653, 670 (1969). Here, Darling voluntarily disclosed his idea without obtaining an agreement for compensation. In such circumstances, enforcement of Darling's unjust enrichment claim would clearly hamper free exploitation of ideas which are in the public domain, without affecting the existing incentives inventors have for disclosure. Those inventors who require assurance of compensation before disclosure might be affected by whether Darling has a claim in unjust enrichment. Yet, those inventors can already protect themselves by patent, contract, or trade secret. Those who voluntarily disclose without rendering an assurance of compensation would be the only inventors affected by a ruling in Darling's favor. Therefore, it is unnecessary to rule in Darling's favor to further the federal policy of disclosure.

Finally, because Darling has not shown that his claim comports with federal policy, Darling cannot establish that any injustice has occurred. Federal policy discourages monopoly pricing unless a valid patent is in force. Here, Darling was seeking the right to charge Standard a price above that controlled by the free market. Unless federal policy requires otherwise, denying Darling this right does not create an injustice. In short, because Linkrete was in the public domain and because Darling asserted no basis for his claim other than injustice based on his disappointed expectations, we conclude that he failed to establish the elements of a claim for unjust enrichment.

We think it determinative that Darling relied exclusively upon his patent application for protection of his rights in Linkrete. This alone distinguishes this case from Aronson, where the inventor had sought protection by contract.¹² Here, Darling and Standard

¹² Darling quotes Matarese v. Moore-McCormack Lines, 158 F.2d 631, 634 (2nd Cir. 1946), for the proposition that "[t]he doctrine [of unjust enrichment] is applicable to a situation where, as here, the product of an inventor's brain is knowingly received and used by another to his own great benefit without compensating the inventor." *Id.* However, in Matarese, the manufacturer had made an explicit promise of compensation to the inventor. Moreover, the inventor later obtained a patent. The Matarese court noted the importance of this fact, stating that recovery in unjust enrichment would only exist if the plaintiff's idea was novel and created a property right. *Id.* at 634. Here, the denial of Darling's patent establishes that Darling had no property right in his design. Therefore, under Matarese, he cannot maintain a suit in unjust enrichment based on the exploitation of unprotected ideas.

conferred about Linkrete with the knowledge that Darling had applied for a patent. The record reveals that Darling sought no further protection of his alleged design, either contractual or promissory. Darling relied exclusively on his patent application to protect his rights. When the federal government denied Darling's patent, Darling's shore protection design was copyable by anybody who obtained the idea through legal and non-confidential means. In short, where an inventor applies for a patent on a product, and relies solely on that patent application to protect his or her rights, the inventor cannot obtain restitution for unjust enrichment from a party who copies and uses that product if the patent application is ultimately rejected.¹³

¹³ We do not address whether federal patent law forecloses other causes of action surrounding the same course of dealing, e.g. fraud, misrepresentation, quantum meruit, or promissory estoppel. Darling has not plead any claims for relief grounded on these theories. Accordingly, the cases cited by Darling are distinguishable. See Ocor Products Corp. v. Walt Disney Productions, 682 F. Supp. 90 (D.N.H. 1988) (unjust enrichment claim may rest on a breach of an express agreement not to copy a design; design was provided to defendant only upon defendant's promise not to copy and reproduce it); Marcraft Recreation Corp. v. Frances Devlin Co., 459 F. Supp. 195 (S.D.N.Y. 1978) (claim for quantum meruit may be based on value of technical services provided; here, plaintiff had also alleged a breach of contract based on an express agreement for exclusive merchandising); Roberts v. Sears, Roebuck & Co., 471 F. Supp. 372 (N.D. Ill. 1979) (following rescission of a fraudulently induced licensing contract, courts may award restitution based on the unjust enrichment of the fraudulent party), cert. denied, 449 U.S. 975 (1981).

Darling believes that the following statement from Aronson provides implicit support for his unjust enrichment theory: "[i]n negotiating the [license] agreement, Mrs. Aronson disclosed the design in confidence. Had Quick Point tried to exploit the design in breach of that confidence, it would have risked legal liability." 440 U.S. at 263. Here, Darling does allege in his complaint that defendants assured him that the information he provided in 1983 and 1984 would remain confidential. However, he admits that the earlier disclosures of Linkrete were made only with the subjective "expectation that he would receive compensation." His complaint does not allege a breach of confidentiality. Significantly, Darling's response to a perceived threat to his rights was a letter from his patent attorney invoking his patent rights. This letter does not mention promises, confidentiality, reliance, or other possible protection of his interests. Moreover, Darling does not deny that Linkrete was in the public domain at the time that Standard built Endicott Island. These facts preclude recovery in unjust enrichment.

In conclusion, we hold that Darling has failed to present a genuine issue of material fact as to the third element of his unjust enrichment claim: whether it would be unfair to allow Standard to retain the benefits it obtained from Darling without compensating him.

III

The superior court's grant of summary judgment dismissing Darling's claim for restitution based on unjust enrichment is **AFFIRMED**.¹⁴

¹⁴ Given this holding, it is unnecessary to address Darling's remaining specifications of error.

APPENDIX B

John M. Conway, Esq.
Craig F. Stowers, Esq.
ATKINSON, CONWAY & GAGNON
ATTORNEYS FOR DEFENDANTS
420 L Street
Fifth Floor
Anchorage, Alaska 99501-1989
(907) 276-1700

IN THE SUPERIOR COURT FOR THE STATE OF ALASKA
FOURTH JUDICIAL DISTRICT

ROBERT DARLING, d/b/a DARLING)
ENTERPRISES,)
)
 Plaintiff,)

vs.)
)

STANDARD ALASKA PRODUCTION)
COMPANY, EXXON CORPORATION,)
UNION OIL COMPANY OF)
CALIFORNIA, AMOCO PRODUCTION)
COMPANY, COOK INLET REGION,)
INC., NANA REGIONAL CORPORATION,)
INC., DOYON LIMITED, AND)
ARCO ALASKA, INC.,)
)
 Defendants.)

No. 4FA-88-110 CIV.

**FINDINGS OF FACT, CONCLUSIONS
OF LAW AND ORDERS ON CONSOLIDATED MOTIONS
(Amended)**

On December 4, 1989, this court heard oral argument on the following motions: Defendants Standard Alaska Production Company, et al.'s Motion to Strike Demand the Jury Trial; Plaintiff Robert Darling's Second Motion for Partial Summary Judgment on Punitive Damages (motion to declare rule of law that punitive damages may be awarded in a purely equitable action); Defendants' Cross-Motion to Strike Claim for Punitive Damages; Defendants' Motion for Partial Summary Judgment on the Absence of Evidence of Conduct Justifying Punitive Damages; Defendants' Motion to Dismiss Unjust Enrichment Claim and Motion for Summary Judgment of Unjust Enrichment Claim.

The court having considered the motions, oppositions, replies, and exhibits thereto, and the pleadings filed herein and having considered the arguments of counsel, makes the following findings of fact, conclusions of law, and orders.

I. Findings of Fact

1. There was a relationship between Plaintiff and at least some of the Defendants in connection with a shore protection system utilized on the North Slope.

2. Plaintiff sold numerous shore protection blocks to the Defendants in 1980 and 1981.

3. Defendants installed these shore protection blocks on several offshore exploration islands in the Beaufort Sea in 1980 and 1981.

4. There is no evidence that there was any written or oral agreement between Plaintiff and Defendants that the shore protection blocks were being sold subject to royalty or licensing rights, or subject to conditions of confidentiality.

5. An Offshore Technology Conference professional paper describing the shore protection system blocks sold by Plaintiff and installed by Defendants on one of the offshore exploration islands was published and presented at a symposium in May 1981.

6. Defendants contracted with Tekmarine, Inc. and the Ralph M. Parsons Company for the design and construction of the shore protection system installed on the Endicott Project. Defendants paid Tekmarine and Parsons approximately \$500,000 for the design work of the shore protection system.

7. Plaintiff hired Tekmarine on one occasion in connection with a study of his claimed invention of a shore protection system.

8. Plaintiff submitted bid proposals including a description and disclosure of his claimed Linkrete shore protection system to other entities independent and totally unrelated to the Defendants.

9. Plaintiff applied for a patent of his claimed Linkrete shore protection system in 1984, and the United States Patent Office denied his patent application as unpatentable. Plaintiff represented during the course of some of his bid proposals that he had a patent pending. It is clear that his claimed invention was not patentable, as determined by the Patent Office.

10. Irrespective of what Plaintiff subjectively believed with respect to his allegation that he was dealing with the Defendants with an expectation that Defendants would compensate him for the use of his claimed shore protection system design, there is no manifestation in writing and no objective facts which show that Plaintiff was dealing with the Defendants in confidence, or pursuant to secret negotiations, or as with the development or sale of any trade secret.

11. Defendants had a federal right to copy and to use Plaintiff's claimed invention because the claimed invention was concededly not patented, and because the claimed invention was fully disclosed and in the public domain. The United States Patent Office denied Darling's patent application for his claimed shore protection system on the grounds that the claimed invention was obvious in light of prior shore protection art.

The Defendant's conduct with respect to the design and construction of the shore protection system on the Endicott Project, and with respect to their dealings and relationship with Plaintiff, was such that Defendants did nothing more than they were legally entitled to do. There is no evidence of tortious, outrageous, malicious, or recklessly indifferent conduct on behalf of the Defendants with respect to the Plaintiff.

12. Plaintiff concedes that there was no contract, express or implied-in-fact, with the Defendants. Plaintiff concedes that there was no trade secret with respect to his claimed shore protection system. Plaintiff concedes that he had no patent with respect to his claimed shore protection system.

13. Plaintiff, through various pleadings, has repeatedly abandoned and waived any and all legal and equitable claims or causes of action against the Defendants other than his solitary claim for quasi-contractual unjust enrichment. Plaintiff has waived and abandoned claims in contract, tort (including fraud), and for quantum meruit.

II. Conclusions of Law

1. Defendant's Motion to Strike Demand for Jury Trial: The court finds and concludes that Plaintiff's cause of action is a purely equitable claim for quasi-contractual unjust enrichment. Therefore, Plaintiff is not entitled to a jury trial, and Defendants' Motion to Strike Demand for Jury Trial is Granted.

2. Plaintiff's Second Motion for Partial Summary Judgment on Punitive Damages and Defendants' Cross-Motion to Strike Claim for Punitive Damages: The court concludes as a matter of law that punitive damages would be allowable in a strictly equitable claim in an appropriate case, provided there were sufficient facts alleged and proved. Therefore, Plaintiff's Second Motion for Partial Summary Judgment on Punitive Damages (actually a motion to establish a rule of law that punitive damages are available in a purely equitable action) is Granted, and Defendants' Cross-Motion to Strike Claim for Punitive Damages is Denied.

3. Defendants' Motion for Partial Summary Judgment on the Absence of Evidence of Conduct Justifying Punitive Damages: The court finds and concludes that Defendants did nothing more than that which they were legally entitled to do with respect to the design and construction of the shore protection system in place on the Endicott Project. Thus, there is no evidence of any tortious, outrageous, malicious, or recklessly indifferent conduct on behalf of the Defendants which is necessary to justify an award of

punitive damages. Therefore, Defendants' Motion for Partial Summary Judgment on the Absence of Conduct Justifying Punitive Damages is Granted.

4. Defendants' Motion to Dismiss Unjust Enrichment Claim:

It is undisputed that Plaintiff possessed no patent on his claimed invention of the shore protection system design. It is clear from the allegations contained in Plaintiff's Complaint and his other pleadings, and it is also clear from the evidence submitted, that the Plaintiff's claimed shore protection system design was publicly known and publicly disclosed, and was so obvious that persons skilled in the shore protection art readily could have developed the Plaintiff's claimed design. Under authority of Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. ___, 109 S.Ct. 971, 103 L.Ed.2d 118 (1989); Sears Roebuck & Co. v. Stiffel Co., 376 U.S. 225, 84 S.Ct. 784, 11 L.Ed.2d 661 (1964); and Compco Corp. v. Day-Brite Lighting, Inc., 376 U.S. 234, 84 S.Ct. 779, 11 L.Ed.2d 669 (1964), the court concludes that Plaintiff's claimed shore protection system design was in the public domain, and that Defendants were legally entitled to freely copy and use that shore protection system design. Because Defendants received nothing more than that which they were legally entitled to use, Defendants were not unjustly enriched.

The court further concludes that Plaintiff's unjust enrichment claim is preempted under federal patent law and federal preclusion principles as applied to the States by the Supremacy Clause of the United States Constitution. Therefore, Defendants' Motion to Dismiss Unjust Enrichment Claim is Granted.

5. Defendants' Motion for Summary Judgment on Unjust Enrichment Claim: The court finds that Defendants hired and paid valuable consideration to third parties, namely Tekmarine, Inc. and the Ralph M. Parsons Company, for the design and development of the shore protection system at issue in this action. The court thus concludes that as Defendants have given fair value to third parties in exchange for the shore protection system design, the Defendants were not unjustly enriched. Therefore, Defendants' Motion for Summary Judgment on Unjust Enrichment Claim is Granted.

III. Orders

Based upon the foregoing, IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that:

1. Plaintiff's demand for jury trial is stricken.
2. Plaintiff's claim for punitive damages is dismissed with prejudice.
3. Plaintiff's claim for unjust enrichment is dismissed with prejudice.

DATED this 4 day of January, 1990.

HONORABLE JAY HODGES
JUDGE OF THE SUPERIOR COURT

I hereby certify that a copy of the foregoing document was hand delivered, or caused to be hand delivered, to the following attorneys or parties of record on December 21, 1989:

Henry J. Camarot, Esq.
Camarot, Sandberg & Smith
310 K Street, Fifth Floor
Anchorage, Alaska 99501

Craig F. Stowers

